S1:2:3
C5150-b

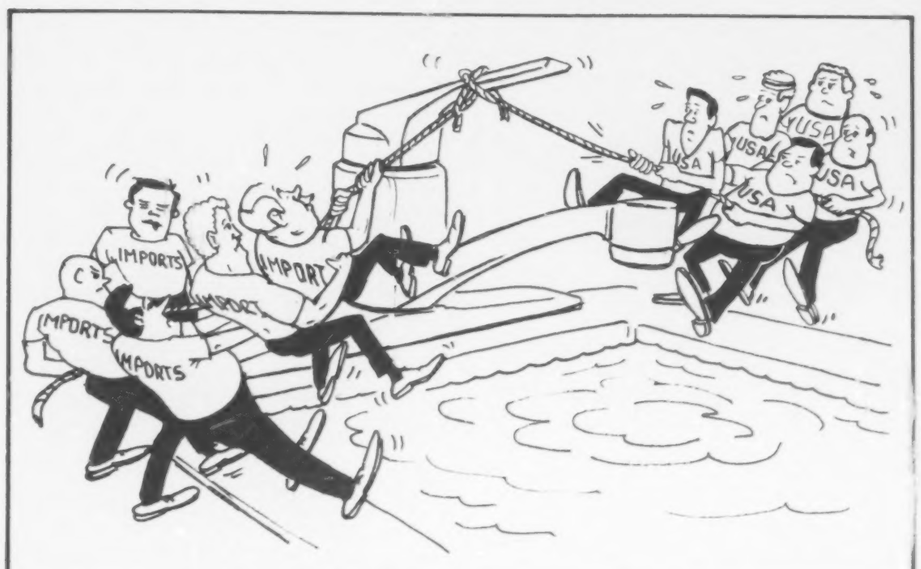
HC
00000053
CONGRESSIONAL INFO INC
4520 EAST-WEST HWY/STE 800
WASHINGTON DC 20014

Hardware Industry Week

Hardware Show Special: Merchandising '83—Pp. 11-95

National
Home Center News ®

Vol. 9, No. 17 | The newspaper for retailers serving homeowners and contractors. Published by Lebhar-Friedman Inc. | August 15, 1983



Home centers are likely to be the primary battleground as imported faucet makers muscle in for a greater share of the $130 million retail faucet market.

Foreign faucets infiltrate U.S. home center market

By John Caulfield
NHCN associate editor

NATIONAL REPORT—While they still represent less than 2% of the $130 million retail faucet market, products made in the Orient and Europe are beginning to nudge their way into the United States arena, and home centers are taking notice.

Dealers, having found the faucet market becoming increasingly competitive, are discovering an edge may be gained by carrying lower-cost products made overseas. It's a strategy that has proved quite profitable in other product categories, although most dealers remain skeptical for the moment about the quality of imported faucets, the ability of importers to maintain a constant supply and the intensity of consumers' demand for lower-end faucets.

American manufacturers have not pushed the panic button yet, insisting their products still dominate the market and are of "far superior" quality to comparable foreign-made alternatives. In addition, some faucet makers claim that retailers actually gain very little in carrying low-end imported faucets because, they said, consumers appear to be purchasing higher-quality, more decorative lines and not shopping price alone.

But having witnessed what imported products have done once they penetrated other markets has put United States faucet manufacturers on an early warning alert. Allegations of counterfeiting, dumping, unfair prices, inferior quality, mislabeling and a raft of other indiscretions have already been raised against imported lines.

Nevertheless, most suppliers and retailers concede that foreign-made faucets will inevitably continue to make headway into the American market.

(Continued on page 82)

DIY retailers shifting gears to more expensive phones

Margins are exhausted on lower-priced lines; cordless phones hot

By David Morgan
NHCN field editor

NATIONAL REPORT—Home center officials predict that the telephone market, now dominated by low-end sales, will begin shifting toward the high end this fall as cordless models become more and more popular, especially among Christmas shoppers.

Retailing industrywide from $69 to $179, cordless phones are expected to provide Lowe's Cos. of North Wilkesboro, N.C., among others, with 35% of its telephone sales dollars this year. A spokesman for Hardware Wholesalers Inc. meanwhile said as much as 40% of the co-op's telephone revenues could come from cordless models.

Manufacturers have not said how many cordless telephones they expect the retail market to consume this year. However, they estimate total 1983 retail phone sales will run from 15 million to 22 million units, or at least $500 million. Some retailers, though, are concerned that unrestrained popularity of cordless phones could lead to major price erosions.

Market sales currently are being led by low-end, one-piece telephones, which retail at between $8 and $11.99. Scotty's Inc. of Winter Haven, Fla., for instance, reported that a quarter to a third of its unit sales this year have come from the one-piece category.

However, a West Coast retailer said sales for low-end, one-piece units could decline as early as next year, when consumers begin to lose faith in the products' quality and design. Now, retail organizations from catalog companies to supermarkets are offering the products in one form or other, sometimes at extremely low prices. One home center official, who asked not to be identified, said his company decided to get out of the product category last spring, after watching catalog houses and large discounters football the items at prices just higher than cost.

(Continued on page 88)

McNulty readies two-unit debut of warehouse formula in L.A.

By Brad Altman
West Coast correspondent

LOS ANGELES—A new warehouse home center chain called HomeClub, founded by industry veteran Robert McNulty, is set to open two 100,000-sq.-ft. membership outlets in late November.

HomeClub's debut will mark the first test of a DIY cash-and-carry warehouse retailing formula in the Greater Los Angeles Metropolitan Area.

Company officials said two more warehouses will be in operation by next spring. While capitalization reportedly totaling $5 million from three venture capital groups launched HomeClub, the chain's strategy to expand to eight-10 area units is expected to eventually require a public offering of stock.

One of the initial warehouses is a retrofitted Woolco Discount Store in an Orange County city. The second site is a recently built warehouse in the Los Angeles suburb of Norwalk, where corporate offices are located.

Both warehouses will carry a broad assortment of DIY items—some 20,000-25,000 sku's—placed on 12-ft. steel warehouse racks and gondola shelving. The full-line assortment, including building materials, will be inside under one roof and emphasis will be on well-known national brands.

HomeClub is borrowing its two-tier membership policy

(Continued on page 117)

NEWSBREAKS

SCOTTY'S DEBUTS LARGEST UNIT. The Florida-based chain announced an Aug. 6 grand opening for a 59,000-sq.-ft. store at Tyrone Square in St. Petersburg. The outlet's 10,000 sku's compare to an average 6,500 at other Scotty's units. The chain's Winter Haven store was previously its largest at 50,000 sq. ft.

WICKES LUMBER FINDS NEW HQ SITE. Wickes Lumber will relocate from its longtime home base of Saginaw, Mich., to Vernon Hill, Ill., in mid-November. About 300 employees will work at the office complex at 708 Deerpath Drive in the Chicago suburb, said Wickes Lumber gm Les Hagen.

INSIDE:

THE PATY CO. plans to reopen its Duffield, Va., unit based on the smashing success of its recently retrofitted, DIY-prototype in Johnson City, Tenn. ..... Page 2

HOUSING STARTS and new home sales dipped slightly in June after 12 consecutive months of improvement ..... Page 2

AFTER YEARS OF WRANGLING, manufacturers and regulatory agencies appear close to agreement on a set of voluntary chain saw safety standards ..... Page 3

RICKEL EXPECTS its $500,000 investment in refurbishing its Paramus, N.J., store to pay off in increased sales ..... Page 3

THERE'S A GROWING feeling in the industry that the warehouse phenomenon may be ushering in a new era of home center discounting ..... Editorial, Page 9

Newest Sears Paint & Hardware store signals the chain's convenience store penetration strategy.

Page 11

Home Depot's Bernie Marcus: turning adversity into opportunity—a profile.

Page 98

Dealers turning to private label programs to wring higher margins out of their paint departments.

Page 11

NHCNews Briefs

Industry Update

BE's promos boast '5% off'

IRVINE, Calif.—Proclaiming "We will not be undersold on any of our advertised items," 60-unit Builders Emporium—California's largest home center chain—has launched an aggressive 5%-off competitors' prices advertising campaign.

The pricing strategy appears to have been borrowed from chains that emphasize the low-margin, high-volume warehouse approach. BE may be positioning itself for the eventual debut of a Home Depot-style chain in its southern California stronghold.

BE officials were unavailable for comment on the promotion, which began in late July. The 5%-off offer requires the customer to bring in a copy of the competitor's ad showing that an identical item is lower than BE's. BE will then sell the item for 5% less than the competitor's price. BE's circular states, "And when it's on sale at Builders Emporium, you simply cannot buy it for less."

Home-Pro Houston bound

SAN ANTONIO—Home-Pro Warehouse is probably too new for its customers to have noticed, but the two-store "home improvement depot" has changed its tagline to read "home improvement mart."

Officials for parent company, Home Centers of America, would not comment on the change, except to say that chairman Frank Denny preferred the new description over the original.

The change went into effect late last month, first appearing in the chain's newspaper ads. The roadside and storefront signs at presstime had not yet been adjusted.

In a separate development, Home Centers of America president David Saks revealed to *NHCN* that the San Antonio-based chain would "very possibly be opening in Houston before the end of the year."

Home-Pro Warehouse, which opened its first store Memorial Day weekend and a second outlet July 4, is expected to open a third San Antonio store and its fourth unit in Corpus Christi, by Labor Day. Altogether, Saks indicated "at least six stores" would "very possibly" be in operation by the end of the year.

All-American to go on-line

DOWNEY, Calif.—All American Home Center will receive delivery late this month of a $250,000 Wang Laboratories central processor unit, the first step in a year-long effort to computerize the 170,000-sq.-ft. store.

Greg Fuller, assistant mm in charge of the conversion program, said 22 CRT terminals with scanning capabilities will be installed in January. The entire program will be online by next summer.

The computerization of All American's 70,000-sku's inventory will allow closer monitoring of gross profit margins, payroll, shrinkage, payable and receivables, Fuller said.

"Right now we do everything by hand," Fuller said of All American's current operational approach. "With the computerization, I will be able to recall how many hammers of a particular type I sold anywhere from the last hour to the last year."

The computer software program is being developed by Los Angeles-based Computer Business Applications. Vendor for the POS terminals had not been chosen at presstime.

3 Calif. Furrow's change names

SACRAMENTO, Calif.—Payless Cashways' Furrow Building Materials stores in Modesto, Roseville and here will convert to the Lumberjack name Sept. 1.

The name change continues the combination of seven-store Lumberjack with Kansas City-based Payless Cashways, which had operated the three Furrows stores before the Lumberjack acquisition last December.

Ad Angles	96, 97	Home Centers and the Law	6
Calendar	70	New Products	104, 106
Editorial	9	People	6
Financial	116	Price Points	44

National Home Center News (ISSN 0192-6772) is published biweekly, every other Monday, 25 times a year, beginning with the first Monday in January through the fourth Monday in November, monthly in December; by Lebhar-Friedman Inc., 425 Park Ave., New York, N.Y. 10022. Manufacturers, schools, libraries and all others: $20 a year ($21 in Canada). Foreign subscriptions: Airmail only, $100 per year.

Second class postage paid at New York, N.Y., and additional mailing offices. Vol. 9, No. 17. Copyright© 1983 by Lebhar-Friedman Inc. All rights reserved. Postmaster: Please send address changes to Subscription Dept., National Home Center News, 99 Park Ave., New York, N.Y. 10157. For change of address six weeks notice is requested. Give old and new address and zip code. If possible, enclose address portion from cover on previous issue.

Vol. 9, No. 17 August 15, 1983

Paty Co. reopening stores with emphasis on DIY sales

PINEY FLATS, Tenn.—Officials at the Paty Co., heartened by a sales increase of about 17% and a two-point margin gain at their new prototype store, plan to reopen a second unit next month with the same product mix and design.

President John Seward Jr. said the prototype represents a major shift by the 51-year-old company toward developing DIY sales. The new approach includes a 23% increase in sku's, elimination of appliances, formerly a major product category, the addition of a lawn and garden department and the reformatting of sales floors into a race track design.

The original prototype is an 18,000-sq.-ft. retrofitted unit that reopened seven months ago in Johnson City, Tenn. Besides sales and margin gains there, the company has seen newly expanded hardware and plumbing departments each increase their share of total store sales by nearly one percentage point.

The second store is a 12,000-sq.-ft. unit in Duffield, Va., scheduled to reopen by mid-September. According to Seward, Paty expects to have remerchandised and reformatted its four remaining stores by 1985. Three of the units, ranging in size from 7,500 to 13,000 sq. ft., will be expanded to 20,000 sq. ft.

In addition to altering its stores, the company has decreased its use of tabloid promotions from 12 to two issues per year, and has considered shifting its resources to radio and television over the next two years. The firm also has tightened its credit standards, reducing collection periods by 12 days to eliminate slow repayments.

"We would have done this a lot sooner, if we thought the recession would be as deep as it was and last as long as it did," the president said, referring to a drop in contractor sales that has just now begun to turn around.

Paty's contractor business, which made for 60% of the chain's sales last year, slipped $2.5 million between 1981 and 1982. Though the company's consumer sales rose an estimated $1 million for the same period, total revenue fell 4.6% to $31 million for the entire year.

Seward said that the altered store design and product mix are aimed at fostering healthier consumer sales, but not at replacing the contractor business. "We see a definite advantage in serving both the contractor and consumer," the

(Continued on page 117)

Upturn begins to level off

Mortgage rates up; housing starts down

NATIONAL REPORT—Housing starts were off slightly in June as were sales of existing homes.

Significantly, though June's numbers may mark a turning point at which housing starts and home sales begin leveling off for the rest of the year, according to housing analysts.

Interest rates have taken a turn upward, and by late July had boosted conventional mortgages to 13½%.

June also was the first time, after 12 consecutive months of improvement, that the National Assn. of Realtor's index of housing affordability dipped. According to the NAR, in June only 81.7% of families could afford an averaged-priced home. In May 84% could have made the purchase, while a year ago only 64% would have been eligible, based on the realtor association figures.

Indeed, both realtors and builders see affordability as the main issue now in predicting the strength and longevity of the current housing recovery. The National Assn. of Home Builders expects construction to remain strong through the summer but then sag because of interest rates, possibly ending the year at a seasonally adjusted level of only 1.3 to 1.4 million starts.

Ken Kerin, NAR vp of research, noted that the critical interest rate range as it relates to housing is 12% to 14%.

"At 12% there's a strong recovery. At 14% you're choking it off. We're now at the upper edge," he said.

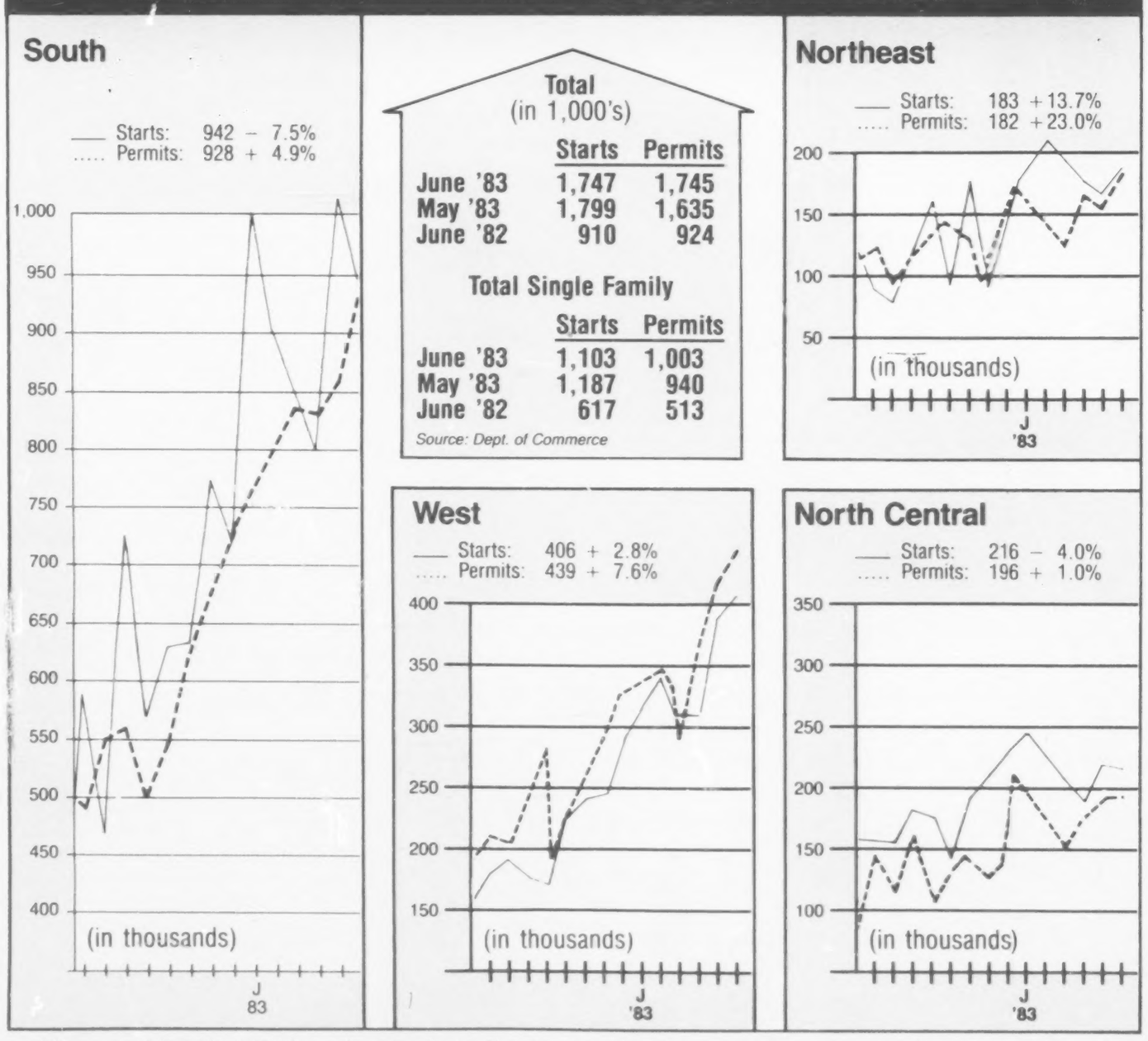
Reacting to the recent decision by the Federal Reserve Board to slightly restrict the money supply now rather than resort to more strenuous action later, Kerin added, "We can't stand any more of these creative adjustments."

Until this point the housing picture for the year has been exceptional, with seasonally adjusted total starts averaging 1.69 million compared with 926,000 a year ago, an 82% increase in activity. Seasonally adjusted single-family starts for the first half of 1983 more than doubled with a six-month average of 949,000 compared with 466,000 last year.

Averaging the figures for resales of existing homes during the past six months shows a

(Continued on page 117)

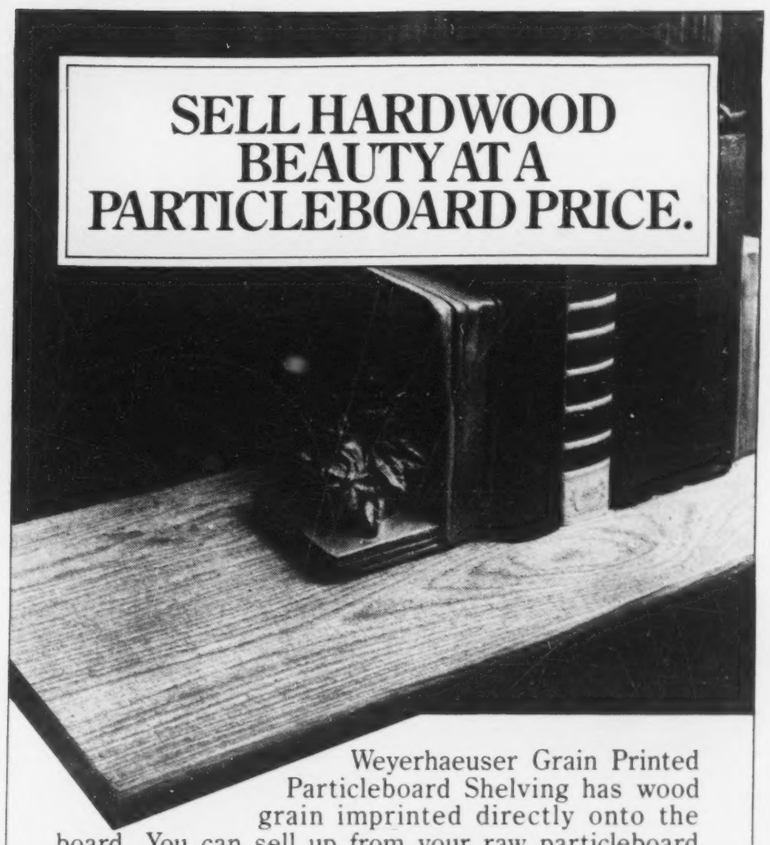
June home-building activity



After reaching their highest levels since September 1979, last month, seasonally adjusted housing starts fell by 2.46% to 1.7 million. Permits, however, were up by 6.73% from the previous month to a seasonally adjusted total of 1.7 million. Compared with last year's figures for June, starts and permits were up by 92% and 88.9%, respectively.

The Northeast recorded a sharp month-to-month increase in June for both seasonally adjusted starts and permits, while the West had a moderate increase.

SELL HARDWOOD BEAUTY AT A PARTICLEBOARD PRICE.



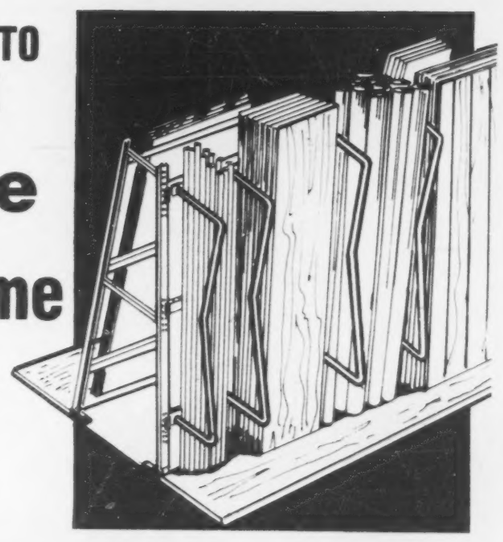
Weyerhaeuser Grain Printed Particleboard Shelving has wood grain imprinted directly onto the board. You can sell up from your raw particleboard shelving line with a good margin. And yet you won't take sales away from other shelving products. Weyerhaeuser Grain Print comes in multi-lengths and widths. It's bull-nosed with filled and printed edges.

Weyerhaeuser

For information, east of the Mississippi River, call 1-912-896-2557; in Georgia, toll-free 1-800-342-3901; or, excluding the Northeast, 1-800-841-3931. West of the Mississippi, call 1-503-884-1450; or toll-free, except Oregon, 1-800-547-1793.

A BETTER WAY TO MERCHANDISE WITH

A-Frame AND Half-A-Frame



Here is total versatility in stocking & displaying paneling, carpets, mouldings, lumber, shelving, plastic pipe, stepladders and other tall building materials!

OTHER STORE FIXTURES AVAILABLE TO DISPLAY ALL TYPES OF BUILDING MATERIALS!

- HALF A-FRAMES
- FULL A-FRAMES
- WALL RACKS
- DOOR RACKS
- PANEL RACKS
- SHEET GOODS RACKS
- WAREHOUSE RACKS
- MEZZANINES

NATIONAL STORE FIXTURES, INC.
P.O. BOX 1811, SILVER SPRING, MD. 20902
800-638-7941
In Maryland (301) 946-8860

Problem: Leaky Roof
Solution: Liqui-Ply™ Elastic Roof

Roof repairs are simple with Liqui-Ply Elastic Roof. Its the newest, most effective way to seal and waterproof roofs. Used for new roofs or the repair of old ones, Liqui-Ply creates leak-free roofs. We guarantee it for five years.

Liqui-Ply's rubber-like film stays flexible for ultimate waterproofing protection. It won't crack or peel even in the most severe weather conditions. In fact, it responds to surface expansion and contraction, stretching up to 400 percent of its original size.

Liqui-Ply is ideal for all kinds of roofs—built-up, rolled, shingled, mobile home, metal and more. Application is simple requiring a brush, roller or spray equipment. Cleanup is easy, too, with soap and warm water.

For more detailed information, contact

The Enterprise Companies
1191 South Wheeling Road
Wheeling, Illinois 60090
(312) 541-9000
An Insilco Company

Carter Coatings Corporation
div. of The Enterprise Companies
6110 Gunn Hwy.
Tampa, Florida 33624
(813) 961-1234

Chain Store Guide shows:

5,800 firms doing $1M or more in home center, lumber volume

NEW YORK—An estimated 4,687 companies, with sales of $1 million or more, operate 12,059 home centers in the United States, according to *Chain Store Guide*, a publisher of retail business directories, in its 1983 "Home Center Operators and Hardware Chains" directory.

In addition, another 1,129 companies, doing at least $1 million in volume and operating 1,841 units, are classified as lumber and building material outlets.

Chain Store Guide defines a home center chain as a company selling wood products, hardware-related items and other household decorating and furnishing goods with its sales predominantly to do-it-yourselfers.

A lumber and building material outlet is classified as a facility with a significant portion of its sales in lumber, but also selling building materials and some hardware-related products. The firms sell predominantly to builders.

The home center classification is broken down into 1,145 multistore companies operating 8,517 outlets and another 3,542 single-unit independents.

There are 800 single-unit independents in the lumber and building materials category. The rest of the 1,041 outlets are owned and operated by 329 companies.

Overall, the directory lists 6,502 companies operating 23,617 stores.

Type of retail company*	No. of companies	No. of stores	No. of one-store independents
Home centers	4,687	12,059	2,542
Lumber/building materials	1,129	1,841	800
Hardware	518	5,641	N.A.
Specialty paint	168	4,076	N.A.
Total	6,502	23,617	—

*Companies must generate sales of at least $1 million

Source: *Chain Store Guide*, Lebhar-Friedman Inc. 1983

The publication says that 518 companies, doing at least $1 million in volume and operating more than one store, run 5,641 hardware stores while another 168 firms have 4,076 specialty paint units.

In addition, the nation's 24 buying groups listed in the directory service about 83,000 stores, selling home improvement merchandise, including many in the above classifications.

Of the home center, lumber, hardware and specialty paint companies, 6,036 carry hardware, according to the directory, 5,666 firms offer lumber and millwork while 5,420 provide paneling and plywood.

The other wall decor products can be found in better than 4,000 companies each. Those companies that carry paint number 4,429 and those with wall coverings within their selections total 4,193.

Electricals are offered by 3,657 of the firms while lawn and garden can be found in 2,787 companies, floor covering in 2,538, power tools in 2,431, hand tools in 2,313, masonry, siding and insulation in 2,160.

The directory lists 25,000 chain executives from chairmen and presidents to buyers, and 49 different product categories identified in the individual company listings. In addition, companies are highlighted in U.S. Dept. of Commerce Standard Metropolitan Statistical Area (SMSA) maps for each state, and an index of chain headquarters-by-county within each SMSA.

State editions of the directory are also available.

Chain Store Guide is a subsidiary of Lebhar-Friedman Inc., which also publishes *National Home Center News*. Its directory is available for $139 by writing *Chain Store Guide*, 425 Park Ave., New York, N.Y. 10022.

Number of DIY firms carrying the following product lines:

Hardware	6,036	Auto paints & polishes	542
Lumber/Millwork	5,666	Sporting goods	401
Paneling/Plywood	5,420	Auto replacements parts	373
Paints	4,429	Home decor	258
Wall coverings	4,193	Auto electrical	242
Electrical supplies	3,657	Auto accessories/customing parts	137
Lawn & Garden supplies	2,787	Bicycles/wheel goods	223
Floor coverings	2,538	Household chemicals	198
Power tools	2,431	Outdoor power equipment	187
Hand tools	2,313	Unfinished furniture	139
Masonry/siding/insulation	2,160	Pet supplies	138
Plumbing equipment	2,051	Auto audio/electronic	137
Housewares	1,631	Seasonals	127
Cabinets/vanities	1,570	Work clothing/uniforms	126
Fireplaces/stoves	1,072	Radios	85
Heating equipment	971	Live nursery	78
DIY books	944	Mechanized farm equipment	57
Farm supplies	747	Hobbies/crafts	52
Barbecue equipment	745	Stereos	51
Auto oil/lubricants/chemicals	725	Video games	41
Cooling/air equipment	725	RV equipment & supplies	36
Small appliances	669	Marine equipment & supplies	32
Auto cleaning products & accessories	647	Home computers	26
Seeds/fertilizers/chemicals	607	TVs	23
Major appliances	602		

Source: *Chain Store Guide, 1983*

A new study by directory publisher Chain Store Guide *shows that 5,666 companies out of 6,502 listed in the 1983 Home Center Operators and Hardware Chains directory carry lumber.*

A wide variety of paint sundries is neatly grouped by size, price and quality at the Wauwatosa, Wis., Hal's Hardware and Lumber.

NHCN photo